

MINUTES OF MEETING
STATE OF WISCONSIN
EMPLOYEE TRUST FUNDS BOARD

Friday, March 18, 2005

Sheraton Madison Hotel
706 John Nolen Drive
Madison, Wisconsin

BOARD PRESENT:

Marilyn Wigdahl, Chair
John Brown
Theron Fisher
Brian Fusie (representing Karen Timberlake)
Wayne Koessler, Vice-Chair
Kathleen Kreul
Irena Macek
Wayne McCaffery
Robert Niendorf, Secretary
Nancy Thompson

BOARD NOT PRESENT:

Rick Gale
Cynthia Van Bogaert

PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary
Dave Stella, Deputy Secretary
Sari King, Administrator, Division of Retirement Services
Jean Gilding, Deputy Administrator, Retirement Services
Deborah Budzisz, Board Liaison
Robert Weber, Chief Legal Counsel
Linda Owen, Policy Advisor

OTHERS PRESENT:

Jane Hamblen, Department of Justice
Brian Murphy, Gabriel, Roeder, Smith & Company
Jill Thomas, Office of State Employment Relations

Marilyn Wigdahl, Chair, called the meeting to order at 8:33 a.m.

CONSIDERATION OF PREVIOUS MEETING MINUTES

Motion: Mr. Fisher moved approval of the minutes of the December 10, 2004, meeting as submitted by the Board Liaison. Mr. Koessler seconded the motion, which passed without objection on a voice vote.

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INTRODUCTION OF NEW BOARD MEMBER

Mr. Stella introduced State Representative Gary Sherman. Mr. Sherman is a new member of the Group Insurance Board (GIB) and by virtue of his appointment to the GIB, he is a member of the Employee Trust Funds Board (Board).

ELECTION OF OFFICERS

Ms. Budzisz requested the action of the Board regarding the election of officers. A memorandum was provided to the Board, which included a list of current officers as well as a current Board member roster.

Nomination: Mr. Brown nominated the current slate of officers for another one-year term. Ms. Thompson seconded the nomination.

Motion: Hearing no further nominations, Mr. Brown moved to close nominations and cast a unanimous ballot for the current slate of officers (Wigdahl – Chair, Koessl – Vice Chair, Niendorf – Secretary) for another one-year term. Ms. Kreul seconded the motion, which passed without objection on a voice vote.

RETIREMENT STATISTICS SUMMARY REPORT

(Included for the Board's information.) Ms. Gilding reviewed the *WRS Retirement Benefit Annuity Statistical Report*.

RETIREMENT STATISTICS ANNUAL SUMMARY REPORT

(Included for the Board's information.) Ms. Gilding reviewed the *Year 2004 Benefit Annuity Statistics* report that was included in the Board packet. She explained several details of the data, charts and graphs contained in the report.

WISCONSIN RETIREMENT SYSTEM 22nd ANNUAL ACTUARIAL VALUATIONS OF RETIRED LIVES – DECEMBER 31, 2004

Mr. Stella introduced Norm Jones and Brian Murphy of Gabriel, Roeder, Smith & Company (GRS), actuaries for the Board. Mr. Murphy reviewed the report, *Wisconsin Retirement System 22nd Annual Actuarial Valuations of Retired Lives – December 31, 2004*. The report represents a comparison of annuity reserve balances of the fixed and variable reserves with the present value of annuities being paid within each fund, as well as the methodology used to calculate the annual post-retirement dividend. Mr. Murphy reviewed highlights of the annual valuations and responded to questions.

Motion: Mr. Brown moved to accept the actuary's report and adopt its recommendations. Mr. Fisher seconded the motion, which carried without objection on a voice vote.

Mr. Stanchfield added that Mr. Stella contacted the Board Chair on February 21 and the annuity adjustments were approved.

CONSIDERATION OF FISCAL ESTIMATE ON PROPOSED STATUTORY CHANGE OF PRO RATA INTEREST CREDITING ON LUMP SUM BENEFITS

Mr. Stella provided an overview of the memorandum that was included in the Board's meeting materials. He explained the costs associated with the proposed statutory change of pro rata interest crediting on lump sum benefits. Mr. Stella introduced Linda Owen who responded to specific questions by the Board.

The Board's action in December was to direct the Department to develop statutory language to change the interest crediting statute regarding lump sum benefits.

The Department supplied fiscal estimates and more information including additional staff needs, to the Board regarding the possible change to the statute.

MOTION: Mr. Niendorf moved to reconsider the Board's previous action regarding the interest crediting procedure for lump sum benefits. Mr. Koessl seconded the motion and the motion carried without objection on a voice vote.

Discussion followed.

MOTION: Mr. Brown made a motion to leave the Department's current interest crediting policy in place with additional educational outreach as required. Mr. Fisher seconded the motion, which carried without objection on a voice vote.

EQUITY AND SETTLEMENT AUTHORITY

Mr. Stella presented historical and statistical information on Department settlement agreements as well as information on the Department's policies and practices regarding recovery of overpayments. A memorandum was provided to the Board with regard to the Secretary's Settlement and Correction of Error Authority. Mr. Stella discussed the related state statutes, which were attached to the memo, and noted that these authorities are used very sparingly.

MISCELLANEOUS

Benefit Payment System Update. Mr. Stella provided the Board with an update on the Benefit Payment System (BPS) project. The purpose of the BPS project is to develop a new system to replace the 40-year old system that is currently in place. The Department paused the project last fall in order to determine whether it could be successfully completed as it was originally configured. The Department concluded that was not possible. Meanwhile the vendor indicated that they would not be able to continue the contract. The Department then entered into a Not For Cause Termination Agreement with the vendor. The project was evaluated by the Department to determine how to proceed. After a Request For Proposals process, a new manager, nVISIA, was hired to complete the project. The contract was signed in February and the project began. The first phase, the inception phase, has been completed. The second phase, called "elaboration," is in process. There are three elaboration phases, four construction phases, and then testing can begin. The Department projects the entirety of parallel testing of the new BPS system by October and the "go live" date as of January 2006. That should bring the project in on time and on budget. The Department is confident that the new reconfigured

project will be successful. Mr. Stella noted that parallel to this project is a creation of a demographic database of all of our members. Currently the Department has approximately six different databases with a variety of demographic information.

State of Wisconsin Investment Board (SWIB) Report. The Annual SWIB Report was distributed at the meeting for the Board's information. Mr. Stella reminded the Board that the fiscal year report goes through June 2004 and therefore the numbers will not match exactly the numbers provided at the Joint Informational meeting.

Pending Appeals Status Report. An update on pending appeals was provided for the Board's information. Mr. Stella noted that there are currently fewer than 100 appeals pending. The ETF Board has 52 pending appeals. The average time that appeals are pending is currently approximately eleven months. This is an improvement over the previous wait time of up to three years. Mr. Weber noted that the Department has a procedure in place to expedite time sensitive appeal cases.

Employee Reimbursement Accounts (ERA) Enrollment Period. A brief update of the Employee Reimbursement Accounts (ERA) program and the Commuter Benefits program was provided for the Board's information.

Internal Audit Report. Mr. Stella presented the Internal Audit Report for the Board's information. The report is the result of a comparison of named survivor data on the Annuity File with Social Security Administration indicative data. This is the third report discussing use of the Social Security Administration's (SSA) free service, the Employee Verification Service (EVS), to identify missing or incorrect data for named survivors on the Annuity File.

Administrative Rules Report. Mr. Weber provided for the Board's information a written report and verbal summary of each rule proposal and its current status.

The Board took a break at 10:07 a.m.

MOTION TO CONVENE IN CLOSED SESSION

Ms. Wigdahl announced that the Employee Trust Funds Board would convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for quasi-judicial deliberations, to consider annuity applications containing personal medical information and to confer with legal counsel. Ms. Budzisz and Ms. Thomas were invited to remain during the closed session.

Motion: Mr. Koessler moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for quasi-judicial deliberations and to confer with legal counsel. Ms. Thompson seconded the motion, which passed on a roll call vote.

Members voting aye: J. Brown, T. Fisher, W. Koessler, K. Kreul, I. Macek, W. McCaffery, R. Niendorf, G. Sherman, N. Thompson, B. Fusie, M. Wigdahl

Members voting nay: none

The Employee Trust Funds Board convened in closed session at 10:32 a.m. and reconvened in open session at 11:01 a.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Ms. Wigdahl announced that the Board took the following actions during the closed session:

- **Appeal 2003-116-ETF.** The Board accepted the hearing examiner's proposed decision with modifications as discussed during closed session.
- **Appeal 2004-009-ETF.** The Board adopted the hearing examiner's proposed decision with amendments as discussed during closed session.
- **Appeal 2003-074-ETF.** The Board adopted the hearing examiner's proposed decision with amendments as recommended by legal counsel.
- **Appeal 2003-107-ETF.** The Board adopted the hearing examiner's proposed decision with amendments as recommended by legal counsel.
- **Appeal 2004-031-ETF.** The Board adopted the hearing examiner's proposed decision with amendments as recommended by legal counsel.
- **Appeal 2004-021-ETF.** The Board adopted the hearing examiner's proposed decision with amendments as recommended by legal counsel.
- **Appeal 2004-007-ETF.** The Board adopted the hearing examiner's proposed decision with amendments as recommended by legal counsel.
- **Appeal 2003-080-ETF.** The Board adopted the hearing examiner's proposed decision with amendments as discussed in closed session.
- **Appeal 2003-081-ETF.** The Board adopted the hearing examiner's proposed decision with amendments as discussed in closed session.

ADJOURNMENT

Motion: Mr. Fisher moved adjournment. Ms. Thompson seconded the motion, which passed without objection on a voice vote.

The meeting of the Employee Trust Funds Board adjourned at 11:06 a.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board